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**Comptroller of the Currency  
Administrator of National Banks**

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Washington, DC 20219

October 14, 1998

Ms. Lois G. Lerner  
Associate General Counsel  
Federal Election Commission  
1325 K Street, NW  
Washington, D.C. 20463


Re: Laredo National Bank, Laredo, Texas

Dear Ms. Lerner:

Enclosed please find redacted copies of the documents pertaining to a possible violation of the Federal Election Campaign Act of 1971 that was discovered by the OCC at Laredo National Bank, Laredo, Texas.

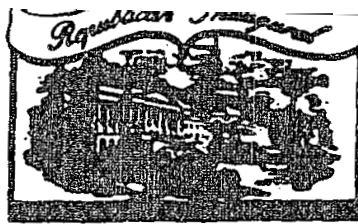
If you have any questions, please call me at 202-874-5328.

Very truly yours,

  
Gerard J. Sexton  
Senior Attorney  
Enforcement & Compliance Division

Attachment

Haley Barbour  
Chairman



March 27, 1995

[REDACTED]  
Laredo National Bank  
700 San Bernado  
Laredo, TX 78040

Dear [REDACTED]

I would like to thank you for your participation and commitment of \$15,000.00 for the February 9 Official 1995 Republican Inaugural Gala. With your help, the success of this event exceeded all expectations.

We are trying to close our financial books on the Gala by March 31, 1995. If you could forward your outstanding pledge to us as soon as possible, it would be greatly appreciated.

Again, I am grateful for your support of the Republican Party. If you have any questions, please give me a call at (202) 863-8700.

Sincerely,

*Haley*

Haley Barbour

*LANB*  
*Expense*  
*r*

Per JAVIER TREVIÑO

OK to pay based on comment

at BOTTOM of this letter.

*OK*  
*4/4/95*

Republican National Committee • 310 First Street, Southeast • Washington, D.C. 20003 • P 202-863-8720 • F 202-863-8634

\* Paid for by the Republican National Committee and the Republican National State Elections Committee. Only those contributions which do not fall under the limitations and prohibitions of the Federal Election Campaign Act will be used by the Republican National State Elections Committee.



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Republican  
National  
Committee

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Michael A. Hess  
Chief Counsel

Thomas J. Josefak  
Deputy Chief Counsel

Allison Fahrenkopf Briggall  
Associate Chief Counsel

December 13, 1994

MEMORANDUM

TO: John Moran, Finance Chairman

FROM: Michael Hess, Chief Counsel

SUBJECT: Corporate Contributions

This memorandum addresses the legality of contributions to the Republican National State Elections Committees (RNSEC) and the Eisenhower Center Building Fund. A review of the applicable statutes and regulations and advisory opinions of the Federal Election Commission (FEC) indicates that no limitation exists on the amounts from individuals and corporations that may be accepted by either the RNSEC or the Eisenhower Center Building Fund. As of January 1, 1991, all contributions to these accounts must be disclosed on reports filed with the FEC.

Republican National State Election Committee

The RNSEC was created to permit the national Republican party to participate in state and local elections by making contributions to candidates in accordance with applicable laws, and by defraying the non-federal portion of expenditures incurred by the national and state parties for party-wide and Republican ticket-wide activity. Such activity includes programs for voter registration, absentee ballots, ballot integrity, get-out-the-vote activities and list development programs that benefit the Republican Party and its candidates; slate cards, sample ballots, palm cards and other printed listings of three or more candidates who are on the ballot; and generic phone banks.

Legal Background: As a national political party committee, the Republican National Committee (RNC) participates in elections for both federal and state/local offices. Its party-wide activities benefit candidates for both federal and state/local elections. Different laws govern the types of funds that may be used for the different types of elections. The Federal Election Campaign Act of 1971, as amended, 2 U.S.C. § 431



et seq. (Act), governs elections for President, the United States Senate and the House of Representatives. Laws passed by the Legislatures of the 50 states control the limitations and prohibitions on contributions for state and local elections in each state. Party-wide activity aiding all candidates on the Republican ticket can be paid for by a combination of federal and non-federal funds raised under the corresponding federal and state laws. See 11 C.F.R. § 106.5 (allocation of expenses between federal and non-federal activities by party committees).

The Act prohibits corporate contributions, and limits individual contributions to the federal accounts of a national committee of a political party to \$20,000 per year. 2 U.S.C. §§ 441b and 441a(a)(1)(B). The Act also limits individual contributions to candidates in federal elections to \$1,000 per candidate per election. 2 U.S.C. § 441a(a)(1)(A). An individual may contribute no more than \$25,000 per year to federal candidates and committees. 2 U.S.C. § 441a(a)(3). An individual's contribution to a candidate with respect to a particular election which is made in a non-election year is considered, for purposes of the Act, to be made during the calendar year in which such election is held. *Id.*

The Federal Election Commission (FEC), the regulatory commission created by Congress to enforce the federal election laws, has issued regulations and advisory opinions which specifically permit political party organizations to create separate committees, such as the RNSEC, to finance non-federal political activity. The FEC also has reaffirmed the legality of employing separate committees for federal and non-federal activity. 11 C.F.R. § 102.5(a); FEC Advisory Opinions 1975-21; 1979-17; 1980-127. The RNSEC makes expenditures only in connection with non-federal elections, by making direct contributions to candidates for state and local offices or by defraying the non-federal share of party-wide and ticket-wide activities. Accordingly, contributions to the RNSEC are not subject to the limitations of the Act discussed above. See 2 U.S.C. §§ 441a and 441b; 11 C.F.R. §§ 110.1 and 114.2; Advisory Opinions 1978-10; 1978-102.

The national and state parties fund activities which jointly benefit both federal and non-federal candidates and elections with a mixture of federal and non-federal funds. The FEC regulates and oversees this allocation of expenses for joint activities between the party's federal and non-federal accounts. In 1990, the FEC revised its allocation regulations, creating a comprehensive set of allocation rules which recognize the legality and propriety of joint federal and non-federal funding for the expenses of national and state party overhead, fundraising, generic voter programs, and exempt voter activities. See 11 C.F.R. Parts 102, 104 and 106 (1990). These regulations became effective January 1, 1991, and the RNC and all Republican state party committees are currently operating under these new regulations.

## Corporate Contributions

Since its inception in 1978, RNSEC has accepted corporate contributions for use in those states that permit funds from corporate treasuries to support candidates for state and local office. RNSEC is set up to ensure that corporate funds are expended only in those states which permit such funds.

24 ?  
In general, a corporation may not donate money or anything of value in connection with an election for federal office, 2 U.S.C. §441b (1982). However, the laws of twenty-nine states permit the use of corporate funds to support candidates for state and local offices, see Federal Election Commission, Campaign Finance Law 90 (1990), and the FEC has explicitly approved the acceptance of corporate contributions in such state and local elections, FEC Advisory Opinion (AO) 1975-59. In addition, the FEC's Regulations and Advisory Opinions specifically permit party organizations to create separate committees for federal and non-federal activities. 11 C.F.R. §102.5(a); AO 1980-127; AO 1979-17. Accordingly, both the FEC's regulations and opinions confirm the principle underlying the creation of the RNSEC and the legality of such corporate contributions to the RNSEC.

## Individual Contributions

Because the RNSEC is not subject to the limitations and prohibitions of the Federal Election Campaign Act, the limitations on the amount an individual may contribute to a national party committee, 2 U.S.C. §441a(a)(1) and 11 C.F.R. §110.1(c), and the annual federal contribution limit for individuals, 2 U.S.C. §441a(a)(3) and 11 C.F.R. §110.5, do not apply to RNSEC donations. Accordingly, the RNSEC may receive individual contributions in unlimited amounts for use as permitted by the laws of the individual states.

## Eisenhower Center Building Fund

This fund was established to permit the Republican National Committee to purchase the Eisenhower National Republican Center, the permanent headquarters for the Republican National Committee and the RNSEC. Under the Federal Election Campaign Act, building fund donations are not considered contributions (2 U.S.C. §431(8)(B)(viii)) and, thus, are not subject to any limitations or prohibitions, including an individual's \$25,000 aggregate yearly limit. Accordingly, a corporation may give to a building fund. 11 C.F.R. §114.1a(2)(ix). FEC Advisory Opinions have further held that corporations and individuals may give contributions without limits to this fund. FEC AO 1983-8.

## Disclosure

The FEC promulgated new regulations in 1990 which require disclosure of all RNSEC contributions in public reports the RNC submits to the FEC. 11 C.F.R. § 104.8(e). As such, all RNSEC contributions in excess of \$200 in a calendar year must be itemized on FEC reports filed by the RNC. Itemization means listing the contributor's name, address, occupation and name of employer, the date of receipt and the amount of the contribution. Business entities will also be identified. *Id.* In short, all RNSEC donors will be publicly disclosed to the FEC on the RNC's reports.

If you have any additional inquiries, please do not hesitate to contact me at (202) 863-8638.

MAH:mda

# CREDIT

## THE LAREDO NATIONAL BANK GENERAL LEDGER ACCOUNT JOURNAL ENTRY

Recoveries and Profits

L	N	B	S	C
1	2	3	4	5
BANK				

1	3	2	1
6	7	8	9
DEPT. NO.			

0	2	2	4	9	8
11	12	13	14	15	16
MONTH		DAY		YEAR	

9	4	4	-	8	1	5
18	19	20	21	22	23	24
ACCOUNT NUMBER						

1	3	1	1
28	29	30	31
COST CENTER			

C
38

50	51	52	53	54	55	56	57	58	59
SUB-LEDGER ACCOUNT									

R	E	I	M	B
60	61	62	63	64
AUTH. CODE				

R	C	V	D
65	66	67	68
ERROR CORRECTION KEY			

71	72	73	74	75	76	77	78	79
ERROR CORRECTION KEY								

CONTRA ACCOUNT NO.	PREPARED BY NAME & NO.	OFFICER NO. AND INITIALS
	C. Gutierrez, III #172	71 [Signature]

80
T/F

DETAILED EXPLANATION (Use Reverse if Needed)

To record reimbursement received from [REDACTED] for incorrect reimbursement made by bank to [REDACTED] on April 4, 1995. See Memorandum filed in control department for details.

DOLLARS														CENTS
15,000.														00
39	40	41	42	43	44	45	46	47	48	49				

DO NOT WRITE BELOW THIS LINE

900



February 24, 1998

To: Toribio Saucedo

Fr: 

Tori:

Enclosed please find my personal check for \$15,000 to reimburse the bank for an erroneous reimbursement to me in 1995 that I was unaware of until pointed out to me today by Cora Beth. As you know, I have always been very careful to use only my personal funds for political contributions.

As I recall, I was being pushed by someone on RNC that LNB could give. They insisted that it was legal for LNB, and I took the position it was not. I finally agreed to write a personal check and await their opinion on the legality of LNB's ability.

Apparently, Paty authorized the reimbursement without consulting with me.. probably because she saw my initials on the RNC letter.

However, I do recall getting an opinion<sup>?</sup>(letter) that RNC was wrong, and I believe I asked someone in my office to be sure that the check to RNC was mine and not LNB funds.

From what Cora Beth showed me today, I cannot verify if LNB was previously reimbursed. So to leave no doubt as to what my intention was, I am paying the bank \$15,000. If, however, you find that it was not a bank expense or that I previously reimbursed the bank, please let me know.

I will check with Adelina when she returns from vacation to see if she can find my instructions that the contribution was personal and not LNB.

Thanks,  
